

**IOWA FALLS
COMMUNITY SCHOOL DISTRICT**

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

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IOWA FALLS COMMUNITY SCHOOL DISTRICT

Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board Of Education		
(Before September 2009 Election)		
T. J. Norman	President	2011
Shane Krukow	Vice President	2011
Elaine Loring		2011
Paul Hoversten		2009
Tom Johnson		2009

(After September 2009 Election)		
T. J. Norman	President	2011
Shane Krukow	Vice President	2011
Elaine Loring		2011
Todd Bicknese		2013
Deanna Krause		2013

School Officials

Dr. John Robbins	Superintendent
Trish Lee	District Secretary/ Treasurer

BRUCE D. FRINK

Certified Public Accountant

Independent Auditor's Report

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

To the Board of Education of
Iowa Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District, Iowa Falls Iowa, as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District at June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated March 10, 2011 on our consideration of Iowa Falls Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis, Budgetary Comparison Information and Schedule of Funding Progress for the Retiree Health Plan on pages 4 through 12 and 37 through 39 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Iowa Falls Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2009 (which are not presented herein) and expressed unqualified opinions on those financial statements. The financial statements for the seven years ended June 30, 2007 (which are not presented herein) were audited by other auditors who expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 6, including the Schedule of Expenditures of Federal Awards required by U.S. Office of Management and Budget (OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 10, 2011

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Management's Discussion and Analysis

Iowa Falls Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2010. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2010 FINANCIAL HIGHLIGHTS

- General Fund revenues decreased from \$10,568,312 in fiscal 2009 to \$10,550,685 in fiscal 2010 (virtually no change), while General Fund expenditures increased from \$10,256,632 in fiscal 2009 to \$10,487,991 in fiscal 2010 (a 2% increase).
- The decrease in General Fund revenues was attributable to a decrease in state source revenues that was only partially offset by increases in federal and local source revenues. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. The unreserved General Fund balance increased by 5 percent as revenues exceeded expenses despite the midyear state aid cut.
- The District continues its whole grade sharing agreement with Alden Community School District.
- The District's solvency ratio decreased from 10.9% to 10.8%. This is an indicator of the financial health of the District. 10% is a commonly recommended goal.
- The District's resident enrollment decreased by 12.6 students. Students served in the District decreased by 25.1 students. The District is able to claim partial weighting for a four year old preschool program approved by the Department of Education.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Iowa Falls Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Iowa Falls Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Iowa Falls Community School District acts solely as an agent or custodian for the benefit of those outside of the District.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year as well as presenting the Schedule of Funding Progress for the Retiree Health Plan.

Other Supplementary Information provides detailed information about the nonmajor governmental funds. In addition, the Schedule of Expenditures of Federal Awards provides detail of various federal programs benefiting the District.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

Figure A-1

Iowa Falls Community School District Annual Financial Report

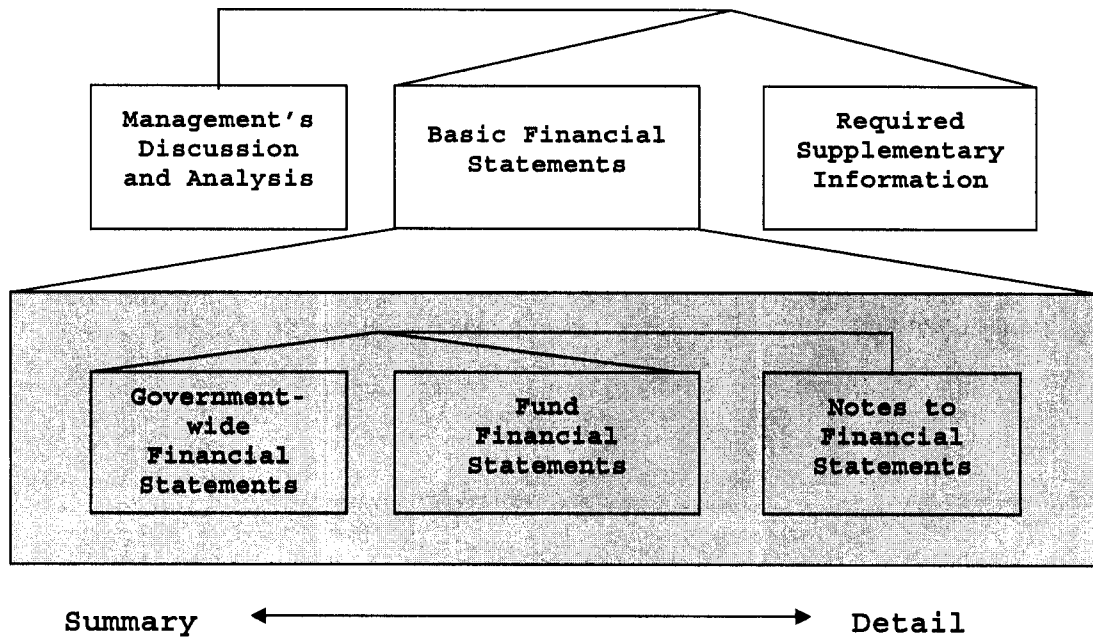


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

Figure A-2 Major Features of the Government-wide and Fund Financial Statements				
	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Fund	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and day care	Instances in which the district administers resources on behalf of someone else, such as scholarship programs
Required financial statements	<ul style="list-style-type: none"> • Statement of net assets • Statement of activities 	<ul style="list-style-type: none"> • Balance sheet • Statement of revenues, expenditures and changes in fund balances 	<ul style="list-style-type: none"> • Statement of net assets • Statement of revenues, expenses and changes in fund net assets • Statement of cash flows 	<ul style="list-style-type: none"> • Statement of fiduciary net assets • Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long-term	All assets and liabilities, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets - the difference between the District's assets and liabilities - are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition and day care programs are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds or to show that it is properly using certain revenues such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a state of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's *Enterprise Funds*, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has two enterprise funds, the School Nutrition Fund and the Day Care Fund.

The required financial statements for proprietary funds include a statement of net assets, a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

3) *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust and Agency Funds.

- Private-Purpose Trust Fund - The District accounts for outside donations for scholarships for individual students in this fund.
- Agency Funds - These are funds through which the District administers and accounts for certain revenue collected for District employee purchases of pop and related expenditures.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets for the year ended June 30, 2010 compared to year ended June 30, 2009.

Figure A-3 Condensed Statement of Net Assets (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Current assets	\$ 7,420	7,593	44	4	7,464	7,597	-1.75%
Capital assets	6,928	7,125	31	34	6,959	7,159	-2.79%
Total assets	14,348	14,718	75	38	14,423	14,756	-2.26%
Current liabilities	5,081	5,268	7	10	5,088	5,278	-3.60%
Non-current liabilities	1,433	1,707	-	-	1,433	1,707	-16.05%
Total liabilities	6,514	6,975	7	10	6,521	6,985	-6.64%
Net Assets							
Invested in capital assets, net of related debt	6,043	5,650	31	34	6,074	5,684	6.86%
Restricted	632	677	-	-	632	677	-6.65%
Unrestricted	1,159	1,416	37	(6)	1,196	1,410	-15.18%
Total net assets	\$ 7,834	7,743	68	28	7,902	7,771	1.69%

The District's net assets increased by over 1%. Growth in the General Fund and capital asset additions accounted for the majority of the growth.

Figure A-4 shows the changes in net assets for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-4
Condensed Statement of Net Assets
(Expressed in Thousands)

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2010	2009	2010	2009	2010	2009	2009-2010
Revenues:							
Program revenues:							
Charges for service and sales	\$ 1,043	1,108	279	306	1,322	1,414	-6.51%
Operating grants, contributions and restricted interest	2,575	2,053	258	229	2,833	2,282	24.15%
General revenues:							
Property tax	3,653	3,213	-	-	3,653	3,213	13.69%
Income surtax	558	480	-	-	558	480	16.25%
Statewide sales, services and use tax	711	714	-	-	711	714	-0.42%
Unrestricted state grants	3,678	4,557	-	-	3,678	4,557	-19.29%
Unrestricted investment earnings	26	26	-	-	26	26	0.00%
Other	22	19	-	-	22	19	15.79%
Total revenues	<u>12,266</u>	<u>12,170</u>	<u>537</u>	<u>535</u>	<u>12,803</u>	<u>12,705</u>	<u>0.77%</u>
Program expenses:							
Governmental activities:							
Instruction	7,783	7,378	-	-	7,783	7,378	5.49%
Support services	3,111	3,250	-	-	3,111	3,250	-4.28%
Non-instructional programs	1	1	497	531	498	532	-6.39%
Other expenses	<u>1,280</u>	<u>851</u>	<u>-</u>	<u>-</u>	<u>1,280</u>	<u>851</u>	<u>50.41%</u>
Total expenses	<u>12,175</u>	<u>11,480</u>	<u>497</u>	<u>531</u>	<u>12,672</u>	<u>12,011</u>	<u>5.50%</u>
Change in net assets	<u>\$ 91</u>	<u>690</u>	<u>40</u>	<u>4</u>	<u>131</u>	<u>694</u>	<u>-81.12%</u>

Property tax and unrestricted state grants account for 57% of the total revenue. The District's expenses primarily relate to instruction and support services which account for 86% of the total expenses.

Governmental Activities

Revenues for governmental activities were \$12,265,603 and expenses were \$12,174,530 for the year ended June 30, 2010.

The following table presents the total and net cost of the District's major governmental activities, instruction, support services, non-instructional programs and other expenditures, for the year ended June 30, 2010 compared to the year ended June 30, 2009.

Figure A-5
Total and Net Cost of Governmental Activities
(Expressed in Thousands)

	Total Cost of Services			Net Cost of Services		
	2010	2009	Change 2009-2010	2010	2009	Change 2009-2010
Instruction	\$ 7,783	7,378	5.49%	4,854	4,671	3.92%
Support services	3,111	3,250	-4.28%	2,966	3,229	-8.14%
Non-instructional programs	1	1	0.00%	1	1	0.00%
Other expenditures	1,280	851	50.41%	735	418	75.84%
Totals	\$ 12,175	11,480	6.05%	8,556	8,319	2.85%

For the year ended June 30, 2010:

- The cost financed by users of the District's programs was \$1,043,214.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$1,727,595. This was a large increase due to Recovery Act money being received. Much of this replaced reductions in state aid.
- The net cost of governmental activities was financed with \$3,653,255 in property tax and \$3,677,734 in state foundation aid.

Business Type Activities

Revenues for business type activities during the year ended June 30, 2010 were \$537,299 and expenses totaled \$496,788. The District's business type activities include the School Nutrition and Day Care Funds. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income. Both funds showed increases in fund balance during the current year.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As previously noted the Iowa Falls Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed the year, its governmental funds reported combined fund balances of \$1,903,507, three percent below last year's ending fund balances of \$1,954,761.

This was primarily due to the decrease in the Capital Projects Fund. This was primarily a result of using existing funds to pay for projects completed in the current year.

Governmental Fund Highlights

- The District increased its General Fund balance by watching expenses closely and exploring alternative sources of revenues.
- The District completed several infrastructure projects that will enhance the District facilities.

Proprietary Fund Highlights

The Nutrition Fund increased due to increased revenues and cost control measures. The District has attempted to maintain prices at a reasonable level. The Day Care Fund also increased due to cost containment measures.

BUDGETARY HIGHLIGHTS

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds. Although the budget document presents functional area expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not at the fund or fund type level. The budget may be amended during the year utilizing similar statutorily prescribed procedures. A schedule showing the original and final budget amounts compared to the District's actual financial activity is included in the required supplementary information section of this report. Since the District does not adopt a budget for individual funds, budgets for the General Fund, Debt Service, Capital Project, Enterprise and Special Revenue Funds are not presented in the budgetary comparison on pages 37 and 38.

Legal Budgetary Highlights

The District's total actual receipts were approximately \$350,000 less than the total budgeted receipts. The most significant change resulted in the District receiving over one million dollars less in state source revenue than expected. This was partially offset by receiving more federal revenue than budgeted.

Total expenditures were over \$1,120,000 less than budgeted. It is the District's practice to budget expenditures at the maximum authorized spending through its line-item budget. As a result, the District's certified budget should always exceed the actual expenditures during the year. The District did not exceed the published budget in any of the four functions. The District also did not exceed the General Fund unspent authorized budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2010, the District has invested more than \$6.9 million, net of accumulated depreciation in a broad range of capital assets including school buildings, athletic facilities, central kitchen, maintenance and administrative buildings, computer and audiovisual equipment, maintenance equipment, school buses, library holdings and textbooks. Total depreciation expense for the year exceeded \$464,000.

Figure A-6 Capital Assets, net of Depreciation (Expressed in Thousands)							
	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	June 30, 2010	June 30, 2009	2009-2010
Land	\$ 128	128	-	-	128	128	0.00%
Land improvements	148	159	-	-	148	159	-6.92%
Buildings	5,738	5,837	-	-	5,738	5,837	-1.70%
Furniture and equipment	914	1,001	31	34	945	1,035	-8.70%
Totals	\$ 6,928	7,125	31	34	6,959	7,159	-2.79%

Long - Term Debt

The District has \$605,000 of general obligation bonds that will fully mature in 2012. The interest rates on this debt ranges from 3.00% to 3.15%. Payments are made from a property tax levy approved by voters of the District.

The District has \$280,000 of revenue bonds to be paid in full in FY11 with proceeds of the one cent statewide sales, services and use tax.

Figure A-7
Outstanding Long-Term Obligations
(Expressed in Thousands)

	Total District		Total Change
	June 30,		June 30,
	2010	2009	2009-2010
General obligation bonds	\$ 605	925	-34.59%
Net OPEB liability (see note 13)	\$ 43	21	104.76%
Early retirement	505	211	139.34%
Revenue bonds	280	550	100.00%
Total	\$ 1,433	1,707	-16.05%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of existing circumstances that could significantly affect its financial health in the future:

- Iowa law requires that unsettled salary negotiations for teachers go to mandatory arbitration. Invariably arbitrated settlements are higher than current levels of allowable growth in funding (not including the budget cuts after the contracts have been settled and people have been hired).
- Once again unfunded mandates are stretching the limits of not only the financial health of the District, but also the human resources aspect of the District. "No Child Left Behind", "Student Achievement and Teacher Quality Act", and "GASB 34", to name a few.
- The District continues a two way sharing agreement with Alden Community School District. Continuation of this agreement will continue to assist the District.
- State funding cuts during mid-year adversely affect the ability of the District to plan for the future.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Trish Lee, District Secretary, Iowa Falls Community School District, 710 North Street, Iowa Falls, IA 50126.

Basic Financial Statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets

June 30, 2010

	Governmental Activities	Business Type Activities	Total
Assets			
Cash and pooled investments	\$ 2,517,675	33,541	2,551,216
Receivables:			
Property tax:			
Current year	43,696	-	43,696
Succeeding year	3,909,169	-	3,909,169
Income surtax	442,966	-	442,966
Due from other governments	430,374	-	430,374
Interfund receivable	4,031	(4,031)	-
Other receivables	52,022	250	52,272
Inventories	-	14,641	14,641
Prepaid expenses	20,020	-	20,020
Capital assets, net of accumulated depreciation	6,927,968	30,940	6,958,908
Total assets	14,347,921	75,341	14,423,262
Liabilities			
Accounts payable	169,372	2,817	172,189
Accrued salary and benefits	969,715	-	969,715
Accrued interest payable	7,574	-	7,574
Unearned revenues	-	4,403	4,403
Deferred revenue:			
Succeeding year property tax	3,909,169	-	3,909,169
Federal programs	25,224	-	25,224
Long term liabilities:			
Portion due within one year:			
Early retirement	208,119	-	208,119
General obligation bonds	330,000	-	330,000
Revenue bonds	280,000	-	280,000
Portion due after one year:			
Early retirement	296,630	-	296,630
General obligation bonds	275,000	-	275,000
Net OPEB liability	42,840	-	42,840
Total liabilities	6,513,643	7,220	6,520,863
Net assets			
Invested in capital assets, net of related debt	6,042,968	30,940	6,073,908
Restricted for:			
Student activity fund	130,694	-	130,694
Management fund	57,882	-	57,882
Debt service	9,722	-	9,722
Physical plant and equipment levy	80,390	-	80,390
Capital projects	310,213	-	310,213
Categorical funding	173,534	-	173,534
Unrestricted	1,028,875	37,181	1,066,056
Total net assets	\$ 7,834,278	68,121	7,902,399

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Functions/Programs:						
Governmental activities:						
Instruction	\$ 7,783,269	910,385	2,018,658	(4,854,226)	-	(4,854,226)
Support services:						
Student services	380,930	-	-	(380,930)	-	(380,930)
Instructional staff services	317,120	-	-	(317,120)	-	(317,120)
Administration services	1,122,720	128,472	-	(994,248)	-	(994,248)
Operation and maintenance of plant services	929,912	-	11,586	(918,326)	-	(918,326)
Transportation services	359,725	4,357	-	(355,368)	-	(355,368)
	3,110,407	132,829	11,586	(2,965,992)	-	(2,965,992)
Non-instructional programs:						
Community service operations	1,305	-	-	(1,305)	-	(1,305)
Other expenditures:						
Interest on long-term debt	39,175	-	460	(38,715)	-	(38,715)
Long-term debt services	350	-	-	(350)	-	(350)
Facilities acquisition and construction	384,108	-	96,214	(287,894)	-	(287,894)
AEA flowthrough	448,336	-	448,336	-	-	-
Depreciation (unallocated)*	407,580	-	-	(407,580)	-	(407,580)
	1,279,549	-	545,010	(734,539)	-	(734,539)
Total governmental activities	12,174,530	1,043,214	2,575,254	(8,556,062)	-	(8,556,062)

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Activities

Year ended June 30, 2010

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants, Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
Business type activities:						
Non-instructional programs:						
Food service operations	485,301	261,039	258,390	-	34,128	34,128
Community service and education	11,487	17,800	-	-	6,313	6,313
	496,788	278,839	258,390	-	40,441	40,441
Total	\$ 12,671,318	1,322,053	2,833,644	(8,556,062)	40,441	(8,515,621)
General Revenues:						
Property tax levied for:						
General purposes				\$ 3,060,908	-	3,060,908
Management fund				200,041	-	200,041
Capital outlay				93,350	-	93,350
Debt service				298,956	-	298,956
Income surtax				557,929	-	557,929
Statewide sales, services and use tax				711,449	-	711,449
Unrestricted state grants				3,677,734	-	3,677,734
Unrestricted investment earnings				26,118	-	26,118
Other				20,650	-	20,650
Total general revenues				8,647,135	-	8,647,135
Change in net assets				91,073	40,441	131,514
Net assets beginning of year				7,743,205	27,680	7,770,885
Net assets end of year				\$ 7,834,278	68,121	7,902,399

* This amount excludes the depreciation that is included in the direct expense of the various programs.

See notes to financial statements

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Balance Sheet
Governmental Funds

June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Assets					
Cash and pooled investments	\$ 2,047,390	6,539	181,670	282,076	2,517,675
Receivables:					
Property tax:					
Current year	37,094	3,183	-	3,419	43,696
Succeeding year	3,234,406	291,420	-	383,343	3,909,169
Income surtax	442,966	-	-	-	442,966
Due from other governments	302,981	-	127,393	-	430,374
Interfund receivable	4,031	-	-	-	4,031
Other receivables	27,858	-	20,269	3,895	52,022
Prepaid expenses	20,020	-	-	-	20,020
Total assets	\$ 6,116,746	301,142	329,332	672,733	7,419,953
Liabilities and Fund Balances					
Liabilities:					
Accounts payable	\$ 129,829	-	19,119	20,424	169,372
Accrued salary and benefits	969,715	-	-	-	969,715
Deferred revenue:					
Succeeding year property tax	3,234,406	291,420	-	383,343	3,909,169
Income surtax	442,966	-	-	-	442,966
Federal programs	25,224	-	-	-	25,224
Total liabilities	4,802,140	291,420	19,119	403,767	5,516,446
Fund balances:					
Reserved for:					
Debt service	-	9,722	-	-	9,722
Categorical funding	173,534	-	-	-	173,534
Unreserved, reported in:					
General Fund	1,141,072	-	-	-	1,141,072
Capital projects fund	-	-	310,213	-	310,213
Special revenue funds	-	-	-	268,966	268,966
Total fund balances	1,314,606	9,722	310,213	268,966	1,903,507
Total liabilities and fund balances	\$ 6,116,746	301,142	329,332	672,733	7,419,953

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Assets

June 30, 2010

Total fund balances of governmental funds (Exhibit C)	\$ 1,903,507
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Income surtax receivable at June 30, 2010 is not recognized as income until received in the governmental funds, however it is shown as a revenue in the Statement of Activities.

442,966

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds.

6,927,968

Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds.

(7,574)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the governmental funds.

Early retirement	\$ (504,749)	
Net OPEB liability	(42,840)	
General obligation bonds payable	(605,000)	
Revenue bonds payable	(280,000)	(1,432,589)

Net assets of governmental activities (Exhibit A)	<u>\$ 7,834,278</u>
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IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	General	Debt Service	Capital Projects	Nonmajor Special Revenue	Total
Revenues:					
Local sources:					
Local tax	\$ 3,559,564	298,656	711,449	293,391	4,863,060
Tuition	882,724	-	-	-	882,724
Other	280,133	266	71,214	252,916	604,529
State sources	4,925,907	194	-	207	4,926,308
Federal sources	902,357	-	25,000	-	927,357
Total revenues	<u>10,550,685</u>	<u>299,116</u>	<u>807,663</u>	<u>546,514</u>	<u>12,203,978</u>
Expenditures:					
Instruction	<u>7,131,235</u>	<u>-</u>	<u>14,748</u>	<u>321,330</u>	<u>7,467,313</u>
Support services:					
Student services	380,930	-	-	-	380,930
Instructional staff services	295,897	-	89,530	12,033	397,460
Administration services	1,104,834	-	-	17,886	1,122,720
Operation and maintenance of plant services	832,367	-	2,700	94,845	929,912
Transportation services	293,087	-	87,856	16,457	397,400
	<u>2,907,115</u>	<u>-</u>	<u>180,086</u>	<u>141,221</u>	<u>3,228,422</u>
Non-instructional programs:					
Community service operations	<u>1,305</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,305</u>
Other expenditures:					
Long-term debt:					
Principal	-	590,000	-	-	590,000
Interest	-	44,853	-	-	44,853
Services	-	350	-	-	350
Facilities acquisition and construction	-	-	477,005	-	477,005
AEA flowthrough	448,336	-	-	-	448,336
	<u>448,336</u>	<u>635,203</u>	<u>477,005</u>	<u>-</u>	<u>1,560,544</u>
Total expenditures	<u>10,487,991</u>	<u>635,203</u>	<u>671,839</u>	<u>462,551</u>	<u>12,257,584</u>
Excess (deficiency) of revenues over (under) expenditures	<u>62,694</u>	<u>(336,087)</u>	<u>135,824</u>	<u>83,963</u>	<u>(53,606)</u>

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year ended June 30, 2010

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Nonmajor Special Revenue</u>	<u>Total</u>
Other financing sources (uses):					
Sale of equipment and property	1,852	-	500	-	2,352
Operating transfers in	-	337,330	-	-	337,330
Operating transfers out	-	-	(337,330)	-	(337,330)
	<u>1,852</u>	<u>337,330</u>	<u>(336,830)</u>	<u>-</u>	<u>2,352</u>
Net change in fund balances	64,546	1,243	(201,006)	83,963	(51,254)
Fund balances beginning of year	<u>1,250,060</u>	<u>8,479</u>	<u>511,219</u>	<u>185,003</u>	<u>1,954,761</u>
Fund balances end of year	<u>\$ 1,314,606</u>	<u>9,722</u>	<u>310,213</u>	<u>268,966</u>	<u>1,903,507</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
to the Statement of Activities

Year ended June 30, 2010

Net change in fund balances - total governmental funds (Exhibit E) \$ (51,254)

**Amounts reported for governmental activities in the Statement of
Activities are different because:**

Income surtaxes not collected for several months after the District's fiscal year ends are not considered "available" revenues in the governmental funds and are included as deferred revenues. They are, however, recorded as revenues in the statement of activities

This represents the change in income surtax receivable from FY09 to FY10 59,273

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, those costs are not reported in the Statement of Net Activities and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. The amounts of capital outlays and depreciation expense in the year are as follows:

Capital outlays	\$ 261,093	
Depreciation expense	<u>(457,761)</u>	(196,668)

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

5,678

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Early retirement	(294,116)	
Other postemployment benefits	<u>(21,840)</u>	(315,956)

Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.

590,000

Change in net assets of governmental activities (Exhibit B) \$ 91,073

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Net Assets
Proprietary Funds

June 30, 2010

	School Nutrition	Day Care	Total
Assets			
Cash and pooled investments	\$ 33,541	-	33,541
Other receivables	250	-	250
Inventories	14,641	-	14,641
Capital assets, net of accumulated depreciation	30,940	-	30,940
Total assets	<u>79,372</u>	<u>-</u>	<u>79,372</u>
Liabilities			
Accounts payable	2,817	-	2,817
Interfund payable	-	4,031	4,031
Unearned revenues	4,403	-	4,403
Total liabilities	<u>7,220</u>	<u>4,031</u>	<u>11,251</u>
Net assets			
Invested in capital assets	30,940	-	30,940
Unrestricted	41,212	(4,031)	37,181
Total net assets	<u>\$ 72,152</u>	<u>(4,031)</u>	<u>68,121</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds

Year ended June 30, 2010

	<u>School Nutrition</u>	<u>Day Care</u>	<u>Total</u>
Operating revenue:			
Local sources:			
Charges for services	\$ 261,039	17,800	278,839
Operating expenses:			
Non-instructional programs:			
Food service operations:			
Salaries	151,253	-	151,253
Benefits	53,558	-	53,558
Services	6,342	-	6,342
Supplies	267,859	-	267,859
Depreciation	6,289	-	6,289
	<u>485,301</u>	<u>-</u>	<u>485,301</u>
Other enterprise operations:			
Salaries	-	10,135	10,135
Benefits	-	1,184	1,184
Supplies	-	168	168
	<u>-</u>	<u>11,487</u>	<u>11,487</u>
Total operating expenses	<u>485,301</u>	<u>11,487</u>	<u>496,788</u>
Operating income(loss)	<u>(224,262)</u>	<u>6,313</u>	<u>(217,949)</u>
Non-operating revenues:			
Interest on investments	430	-	430
State sources	5,556	-	5,556
Federal sources	252,404	-	252,404
	<u>258,390</u>	<u>-</u>	<u>258,390</u>
Change in fund net assets	34,128	6,313	40,441
Net assets beginning of year	38,024	(10,344)	27,680
Net assets end of year	<u>\$ 72,152</u>	<u>(4,031)</u>	<u>68,121</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Cash Flows
Proprietary Fund

Year ended June 30, 2010

	School Nutrition	Day Care	Total
Cash flows from operating activities:			
Cash received from sale of services	\$ 260,092	17,800	277,892
Cash payments to employees for services	(204,811)	(11,319)	(216,130)
Cash payments to suppliers for goods or services	(236,630)	(168)	(236,798)
Net cash provided by (used by) operating activities	(181,349)	6,313	(175,036)
Cash flows from non-capital financing activities:			
State grants received	5,556	-	5,556
Federal grants received	211,247	-	211,247
Net cash provided by non-capital financing activities	216,803	-	216,803
Cash flows from capital financing activities:			
Payable to General Fund	-	4,031	4,031
Acquisition of fixed assets	(3,490)	-	(3,490)
	(3,490)	4,031	541
Cash flows from investing activities:			
Interest on investments	430	-	430
Net increase in cash and cash equivalents	32,394	10,344	42,738
Cash and cash equivalents beginning of year	1,147	(10,344)	(9,197)
Cash and cash equivalents end of year	\$ 33,541	-	33,541
Reconciliation of operating income (loss) to net cash provided by (used by) operating activities:			
Operating income (loss)	\$ (224,262)	6,313	(217,949)
Adjustments to reconcile operating income (loss) to net cash provided by (used by) operating activities:			
Depreciation	6,289	-	6,289
Commodities used	41,157	-	41,157
Decrease in other receivables	46	-	46
(Increase) in inventory	(2,042)	-	(2,042)
(Decrease) in accounts payable	(1,544)	-	(1,544)
(Decrease) in unearned revenue	(993)	-	(993)
	\$ (181,349)	6,313	(175,036)
Non-cash investing, capital and financing activities:			

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trusts	Agency
Assets		
Cash and pooled investments	\$ 24,187	18,342
Liabilities		
Other payables	-	18,342
Net Assets		
Reserved for special purposes	\$ 24,187	-

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds

June 30, 2010

	Private Purpose Trusts	Agency
Additions:		
Local sources:		
Gifts and contributions	\$ 3,575	19,983
Interest income	270	-
Total additions	<u>3,845</u>	<u>19,983</u>
Deductions:		
Instruction:		
Regular:		
Scholarships awarded	2,180	-
Supplies	-	19,983
Scholarships awarded	<u>2,180</u>	<u>19,983</u>
Change in net assets	<u>1,665</u>	<u>-</u>
Net assets beginning of year	<u>22,522</u>	<u>-</u>
Net assets end of year	<u>\$ 24,187</u>	<u>\$ -</u>

See notes to financial statements.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2010

(1) Summary of Significant Accounting Policies

Iowa Falls Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve and special education pre-kindergarten. The geographic area served includes the City of Iowa Falls, Iowa, and agricultural territory in Hardin and Franklin Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Iowa Falls Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Iowa Falls Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organizations - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Hardin County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The District has elected to present all proprietary funds as major for clarity of presentation.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenses, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The Debt Service Fund is utilized to account for the payment of interest and principal on the District's general long-term debt.

The District reports the following major proprietary funds:

The District's proprietary funds are the Enterprise, School Nutrition and Day Care Funds. These funds are used to account for the food service and day care operations of the District.

The District also reports fiduciary funds which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

The Agency Fund is used to account for assets held by the District as an agent of individuals, private organizations and other governments. The Agency Fund is custodial in nature, assets equal liabilities, and does not involve measurement of results of operation.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected with 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments, and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, they have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date that the tax asking is certified by the Board of Education. Current property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year become effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1% per month penalty for delinquent payments; is based on January 1, 2008 assessed property valuations; is for the tax accrual period July 1, 2009 through June 30, 2010 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April, 2009.

Due From Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years. No intangible assets were noted that exceeded the threshold amount.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	1,000
Other furniture and equipment	1,000
Intangibles	75,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20-50 years
Furniture and equipment	5-15 years

Salaries and Benefits Payable - Payroll and related expenditures for employees with annual contracts corresponding to the current school year, which is payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivables and other receivables not collected within sixty days after year end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied as well as unspent federal program revenue.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability is deemed to be immaterial at June 30, 2010.

Unearned Revenue - Unearned revenues in the School Nutrition Fund are monies collected for lunches that have not yet been served. The lunch account balances will either be reimbursed or served lunches. The revenue will be considered earned when services are provided. The lunch account balances are reflected on the Statement of Net Assets in the Proprietary Funds.

Long-Term Liabilities - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgeting and Budgetary Control

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2010, expenditures did not exceed the amended budget amounts in any of the four functions. The District did not exceed its General Fund unspent authorized budget.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2010 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The District had no investments at June 30, 2010.

(3) **Capital Assets**

Capital assets activity for the year ended June 30, 2010 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 128,358	-	-	128,358
Capital assets being depreciated:				
Land Improvements	767,752	-	-	767,752
Buildings	9,877,881	92,897	-	9,970,778
Furniture and Equipment	3,798,147	168,196	33,318	3,933,025
Total capital assets being depreciated	14,443,780	261,093	33,318	14,671,555
Less accumulated depreciation for:				
Land Improvements	608,857	10,922	-	619,779
Buildings	4,040,763	191,999	-	4,232,762
Furniture and Equipment	2,797,882	254,840	33,318	3,019,404
Total accumulated depreciation	7,447,502	457,761	33,318	7,871,945
Total capital assets being depreciated, net	6,996,278	(196,668)	-	6,799,610
Governmental activities, capital assets, net	\$ 7,124,636	(196,668)	-	6,927,968
Business type activities:				
Furniture and equipment	\$ 81,807	3,490	-	85,297
Less accumulated depreciation	48,068	6,289	-	54,357
Business type activities capital assets, net	\$ 33,739	(2,799)	-	30,940
Depreciation expense was charged to the following functions:				
Governmental activities:				
Support services:				
Transportation				\$ 50,181
Unallocated				407,580
				<u>\$ 457,761</u>
Business Type activities:				
Food service operations				<u>\$ 6,289</u>

(4) General Obligation Bonds Payable

Details of the District's June 30, 2010 general obligation bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Interest Rates</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
2011	3.00%	\$18,563	330,000	348,563
2012	3.15	<u>8,663</u>	<u>275,000</u>	<u>283,663</u>
Total		<u>\$27,226</u>	<u>605,000</u>	<u>632,226</u>

(5) Changes in Long-Term Debt

A summary of changes in long-term debt for the year ended June 30, 2010 are as follows:

	<u>Balance Beginning Year</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance End of Year</u>	<u>Due Within One Year</u>
Net OPEB Liability	\$ 21,000	21,840	-	42,840	-
Early Retirement	210,633	391,719	97,603	504,749	208,119
General Obligation Bonds	925,000	-	320,000	605,000	330,000
Revenue Bonds	<u>550,000</u>	<u>-</u>	<u>270,000</u>	<u>280,000</u>	<u>280,000</u>
Total	<u>\$1,706,633</u>	<u>412,719</u>	<u>687,603</u>	<u>1,431,749</u>	<u>818,119</u>

(6) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 4.30% of their annual salary and the District is required to contribute 6.65% of annual covered salary. Contribution requirements are established by state statute. The District's contribution to IPERS for the years ended June 30, 2010, 2009, and 2008 were \$424,075, \$402,365, and \$359,666 respectively, equal to the required contributions for each year.

(7) Risk Management

Iowa Falls Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance, except as described in the following paragraph. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$448,336 for year ended June 30, 2010 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

(9) Revenue Bonds Payable

Details of the District's June 30, 2010 statewide sales, services and use tax revenue bonded indebtedness are as follows:

<u>Year Ending June 30,</u>	<u>Bond Issue of December 1, 2008</u>			
	<u>Interest Rates</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	3.20%	<u>\$280,000</u>	<u>8,960</u>	<u>288,960</u>

The District has pledged future statewide sales, services and use tax revenues to repay the \$815,000 of bonds issued in 2007. The bonds were issued for the purpose of financing a portion of the costs of remodeling facilities. The bonds are payable solely from the proceeds of the statewide sales, services and use tax revenues received by the District and are payable through 2011. The bonds are not a general obligation of the District. However, the debt is subject to the constitutional debt limitation of the District. Annual principal and interest payments on the bonds are expected to require nearly 50 percent of the statewide sales, services and use tax revenues. The total principal and interest remaining to be paid on the notes is \$288,960. For the current year, \$287,330 of principal and interest was paid on the bonds and total statewide sales, services and use tax revenues were \$711,449.

The resolution providing for the issuance of the statewide sales, services and use tax revenue bonds includes the following provisions:

- a) \$81,500 of the proceeds from the issuance of the revenue bonds are deposited in a reserve account to be used solely for the purpose of paying principal and interest on the bonds if insufficient money is available in the sinking account. The balance of the proceeds shall be deposited to the project account.
- b) All proceeds from the statewide sales, services and use tax shall be placed in a revenue account.
- c) Monies in the revenue account shall be disbursed to make deposits into a sinking account to pay the principal and interest requirements of the revenue bonds for the fiscal year.
- d) Any monies remaining in the revenue account after the required transfer to the sinking account may be transferred to the project account to be used for any lawful purpose.

(10) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2010 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	Capital Projects	<u>\$337,330</u>

Transfers generally move revenues from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources.

(11) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2010 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Enterprise: Day Care Fund	\$4,031

The Enterprise, Day Care Fund owes the General Fund for a shortfall in a joint checking account.

(12) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. Bankers Trust Co. NA is the trustee for the program.

The District pledges its state foundation aid payments and General Fund receipts as security for the warrants issued. Repayments must be made when General Fund receipts are received. The District must make minimum warrant repayments on the 25th of each month immediately following the final date the warrant proceeds may be used in an amount equal to 25% of the warrant amount. The interest rate on the Series 2009-10A warrants was 2.50%. The District did not participate in the 2009-10B program. There was no ISCAP activity in the General Fund for the year ended June 30, 2010.

During the year end June 30, 2010, the District paid \$14,021 of interest on the ISCAP warrants.

(13) Other Postemployment Benefits (OPEB)

Plan Description - The District operates a single-employer retiree benefit plan which provides medical and prescription drug benefits for retirees and their spouses. There are 142 active and 16 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefit as active employees, which result in an implicit subsidy and an OPEB liability.

Funding Policy - The contribution requirements of plan members are established and may be amended by the District. The District currently finances the retiree benefits plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the District's annual OPEB cost for the year ended June 30, 2010, the amount actually contributed to the plan and changes in the District's net OPEB obligation:

Annual required contribution	\$158,000
Interest on net OPEB Obligation	840
Adjustment to annual required contribution	-
Annual OPEB Cost	158,840
Contributions made	137,000
Increase in net OPEB obligation	21,840
Net OPEB obligation beginning of year	21,000
Net OPEB obligation end of year	\$ 42,840

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2008. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2010.

For the year ended June 30, 2010, the District contributed \$137,000 to the medical plan.

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2010 are summarized as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
June 30, 2010	\$158,000	86.7%	\$42,000

Funded Status and Funding Progress - As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2009 through June 30, 2010, the actuarial accrued liability was \$1,676,000, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,676,000. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$6,472,000 and the ratio of the UAAL to covered payroll was 25.9%. As of June 30, 2010, there were no trust fund assets.

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress presented as Required Supplementary Information, in the section following the Notes to Financial Statements, present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions includes a 4.50% discount rate based on the District's funding policy. The projected annual medical trend rate is 11%. The medical trend rate is reduced 0.5% each year until reaching the 5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from the retirement probabilities from the IPERS Actuarial Report as of June 30, 2008 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2008.

Projected claim costs of the medical plan are \$702 per month for retirees less than age 65 and \$136 per month for retirees who have attained age 65. The salary increase rate was assumed to be 3.5% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Required Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Budgetary Comparison Schedule of Revenues, Expenditures/Expenses and Changes in Balances -
Budget and Actual - All Governmental Funds and Proprietary Funds

Required Supplementary Information

Year ended June 30, 2010

	Governmental Fund Types	Proprietary Fund Type	Total Actual	Budgeted Amounts Original	Final	Final to Actual Variance
Revenues						
Local sources	\$ 6,350,313	279,269	6,629,582	6,553,601	6,553,601	75,981
State sources	4,926,308	5,556	4,931,864	6,059,174	6,059,174	(1,127,310)
Federal sources	927,357	252,404	1,179,761	460,979	460,979	718,782
Total revenues	12,203,978	537,229	12,741,207	13,073,754	13,073,754	(332,547)
Expenditures/Expenses:						
Instruction	7,467,313	-	7,467,313	8,081,237	8,081,237	613,924
Support services	3,228,422	-	3,228,422	3,411,386	3,411,386	182,964
Non-instructional programs	1,305	496,788	498,093	526,800	526,800	28,707
Other expenditures	1,560,544	-	1,560,544	1,862,152	1,862,152	301,608
Total expenditures/expenses	12,257,584	496,788	12,754,372	13,881,575	13,881,575	1,127,203
Excess (deficiency) of revenues over (under) expenditures/expenses	(53,606)	40,441	(13,165)	(807,821)	(807,821)	794,656
Other financing sources (uses)	2,352	-	2,352	-	-	2,352
Excess (deficiency) of revenues and other financing sources over (under) expenditures/ expenses and other financing uses	(51,254)	40,441	(10,813)	(807,821)	(807,821)	797,008
Balance beginning of year	1,954,761	27,680	1,982,441	1,311,749	1,311,749	670,692
Balance end of year	\$ 1,903,507	68,121	1,971,628	503,928	503,928	1,467,700

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Note to Required Supplementary Information - Budgetary Reporting

Year ended June 30, 2010

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standard Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds, except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund or fund type. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides that District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2010, expenditures did not exceed the amount budgeted in any of the four functions. The District did not exceed the General Fund unspent authorized budget.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Funding Progress for the
Retiree Health Plan
(In Thousands)

Required Supplementary Information

Year Ended June 30,	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
2009	Jul 1, 2008	\$0	\$1,676	\$1,676	0.0%	\$6,262	26.8%
2010	Jul 1, 2008	\$0	\$1,676	\$1,676	0.0%	\$6,472	25.9%

See Note 13 in the accompanying Notes to Financial Statements for the plan description, funding policy, annual OPEB Cost and Net OPEB Obligation, funded status and funding progress.

Other Supplementary Information

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Combining Balance Sheet
Nonmajor Special Revenue Funds

June 30, 2010

	Physical Plant and Equipment Levy	Management Levy	Student Activity	Total
Assets				
Cash and pooled investments	\$ 96,124	53,722	132,230	282,076
Property tax receivable:				
Current year	995	2,424	-	3,419
Succeeding year	92,470	290,873	-	383,343
Other receivables	-	1,736	2,159	3,895
Total assets	<u>189,589</u>	<u>348,755</u>	<u>134,389</u>	<u>672,733</u>
Liabilities and Fund Balance				
Liabilities:				
Accounts payable	16,729	-	3,695	20,424
Deferred revenue:				
Succeeding year property tax	92,470	290,873	-	383,343
	<u>109,199</u>	<u>290,873</u>	<u>3,695</u>	<u>403,767</u>
Fund balance:				
Unreserved fund balance	<u>80,390</u>	<u>57,882</u>	<u>130,694</u>	<u>268,966</u>
Total liabilities and fund balance	<u>\$ 189,589</u>	<u>348,755</u>	<u>134,389</u>	<u>672,733</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Combining Schedule of Revenues, Expenditures
and Changes in Fund Balances
Nonmajor Special Revenue Funds

Year ended June 30, 2010

	Physical Plant and Equipment Levy	Management Levy	Student Activity	Total
Revenues:				
Local sources:				
Local tax	\$ 93,350	200,041	-	293,391
Other	176	11,203	241,537	252,916
State sources	61	146	-	207
Total revenues	93,587	211,390	241,537	546,514
Expenditures:				
Instruction	-	88,401	232,929	321,330
Support services:				
Instructional staff services	-	12,033	-	12,033
Administration services	-	17,886	-	17,886
Operation and maintenance of plant services	16,729	78,116	-	94,845
Transportation services	-	16,457	-	16,457
Total expenditures	16,729	212,893	232,929	462,551
Net change in fund balance	76,858	(1,503)	8,608	83,963
Fund balances beginning of year	3,532	59,385	122,086	185,003
Balance end of year	\$ 80,390	57,882	130,694	268,966

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Activity Tickets	-	12,579	11,682	897
HS Musical Theatre	11,138	3,037	1,529	12,646
HS Speech	-	-	-	-
HS Vocal	3,055	380	1,075	2,360
HS Band	-	2,132	1,916	216
HS Athletics Misc	7,444	15,869	15,768	7,545
HS Athletics Supplies	-	-	568	(568)
MS Cross Country	32	-	-	32
Boys Basketball	1,600	5,750	5,433	1,917
Football	11,535	19,721	28,679	2,577
Soccer	(6,483)	2,456	907	(4,934)
Baseball	(2,757)	7,531	5,066	(292)
Boys Track	2,902	2,498	4,894	506
Boys Cross Country	-	203	203	-
Boys Tennis	19	11	(20)	50
Boys Golf	-	-	(32)	32
Wrestling	1,528	4,464	3,413	2,579
HS Cheerleaders	700	-	5	695
HS Drill Team	2,180	2,750	2,047	2,883
Girls Basketball	954	6,185	7,019	120
Volleyball	-	6,254	4,793	1,461
Girls Softball	(3,581)	3,690	(444)	553
Girls Track	3,581	3,437	7,297	(279)
Girls Cross Country	-	1,015	1,015	-
Girls Tennis	-	1,211	1,211	-
Girls Golf	-	-	-	-
Resale - HS Band	147	135	282	-
HS Band Uniform Maintenance	5,922	642	1,480	5,084
Resale - Elementary Band	658	186	-	844
Resale - MS Band	986	180	-	1,166
RR - Lion's Lead Dog Account	2,340	4,028	3,017	3,351
Elementary Vocal Account	1,264	2,173	2,037	1,400
Pineview School	20,652	20,605	18,303	22,954
Rock Run School	16,070	18,960	15,204	19,826
HS - SADD Account	839	238	1,041	36
MS - LIFE Girls Group	1,225	1,000	618	1,607
MS - Science Club	1,026	291	606	711
MS - Student Council	9,109	23,237	24,407	7,939
MS - Rachel's Challenge	38	-	-	38
HS - SCI	156	-	-	156
HS - Tshirt Account	3,545	50	333	3,262
HS Marketing Club	490	-	-	490
HS Future Homemakers	17	-	-	17
HS Future Nurses	125	-	-	125

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year ended June 30, 2010

Account	Balance Beginning of Year	Revenues	Expenditures	Balance End of Year
HS Natl Honor Society	60	-	60	-
HS Art Club	295	500	100	695
HS Future Farmers of America	464	14,302	16,629	(1,863)
HS Student Council	2,955	1,314	1,464	2,805
HS Class of 2010	2,353	-	2,040	313
HS International Club	46	1,000	622	424
HS HEARTS Class	1,111	-	-	1,111
HS Speech Club Individual	5,309	5,403	2,949	7,763
HS Math Club	614	270	703	181
HS Class of 2011	-	7,701	4,041	3,660
HS Class of 2012	-	268	-	268
HS Popcorn Fund	2,855	10,461	10,633	2,683
HS Yearbook	6,791	27,018	22,215	11,594
Local Revenue - Interest	777	402	121	1,058
	<u>122,086</u>	<u>241,537</u>	<u>232,929</u>	<u>130,694</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Statement of Fiduciary Assets and Liabilities
Agency Funds

June 30, 2010

	Balance Beinning of Year	Additions	Deductions	Balance End of Year
Assets				
Cash and pooled investments	\$ 14,969	19,983	16,610	18,342
Liabilities				
Other payables	\$ 14,969	19,983	16,610	18,342

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Revenues by Source and Expenditures by Function
All Governmental Funds

For the Last Ten Years

	Modified Accrual Basis									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues:										
Local sources:										
Local tax	\$ 4,863,060	\$ 4,425,507	4,205,049	4,131,910	3,797,258	3,947,659	3,429,851	3,453,720	3,353,022	3,326,044
Tuition	882,724	941,463	909,851	920,235	778,711	697,387	302,960	301,391	261,691	194,259
Other	604,529	650,422	658,951	857,693	845,315	529,728	429,504	407,221	439,508	540,872
State sources	4,926,308	5,763,655	5,490,019	5,298,716	4,908,993	4,558,433	4,320,386	4,447,239	4,313,227	4,236,643
Federal sources	927,357	407,506	225,053	271,055	272,801	277,022	225,561	252,726	219,563	207,547
Total	<u>\$12,203,978</u>	<u>\$12,188,553</u>	<u>11,488,923</u>	<u>11,479,609</u>	<u>10,603,078</u>	<u>10,010,229</u>	<u>8,708,262</u>	<u>8,862,297</u>	<u>8,587,011</u>	<u>8,505,365</u>
Expenditures:										
Instruction	\$ 7,467,313	\$ 7,377,668	7,191,448	6,913,178	6,485,458	6,417,976	5,620,739	5,771,111	5,699,220	5,655,306
Support services:										
Student	380,930	373,982	304,984	278,966	266,983	75,269	76,568	194,857	209,236	215,257
Instructional staff	397,460	497,609	395,379	305,138	305,943	184,432	208,303	201,590	202,067	202,493
Administration	1,122,720	1,116,906	1,082,225	1,074,310	1,014,899	920,556	822,277	740,894	695,872	644,171
Operation and maintenance of plant	929,912	899,916	783,178	789,718	713,783	650,725	644,017	592,275	552,612	658,419
Transportation	397,400	310,987	394,148	306,386	347,992	243,628	210,146	290,524	265,173	177,039
Non-instructional programs	1,305	1,428	2,215	22,825	21,368	12,210	1,213	1,220	506	631
Other expenditures:										
Facilities acquisition	477,005	1,324,071	874,342	1,040,110	424,184	227,948	208,757	87,565	189,609	359,555
Debt Service:										
Principal	590,000	580,000	305,000	300,000	245,000	230,000	215,000	205,000	190,000	180,000
Interest and service charges	45,203	50,213	42,305	47,867	106,977	166,513	166,564	143,228	154,240	164,290
AEA flowthrough	448,336	380,255	361,604	354,443	321,953	305,072	308,090	322,323	319,891	321,719
Total	<u>\$12,257,584</u>	<u>\$12,913,035</u>	<u>11,736,828</u>	<u>11,432,941</u>	<u>10,254,540</u>	<u>9,434,329</u>	<u>8,481,674</u>	<u>8,550,587</u>	<u>8,478,426</u>	<u>8,578,880</u>

See accompanying independent auditor's report.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Expenditures of Federal Awards

Year ended June 30, 2010

<u>Grantor/Program</u>	<u>CFDA Number</u>	<u>Grant Number</u>	<u>Expenditures</u>
Indirect:			
Department of Agriculture:			
Iowa Department of Education:			
School Nutrition Cluster Programs:			
National School Breakfast Program	10.553	FY10	\$ 53,786
Food Distribution (non-cash)	10.555	FY10	41,157
National School Lunch Program	10.555	FY10	<u>157,461</u>
			<u>252,404</u>
Department of Education:			
Iowa Department of Education:			
Title I, Part A Cluster:			
Title I Grants to Local Educational Agencies	84.010	FY10	119,660
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	FY10	43,494
Safe and Drug-Free Schools and Communities - States Grants	84.186	FY10	3,067
Improving Teacher Quality - States Grants	84.367	FY10	35,733
Grants for Assessments and Related Activities	84.369	FY10	7,215
Vocational Education - Basic Grants to States	84.048	FY10	10,775
ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act Cluster:			
State Aid	84.394	FY10	449,973
Teacher Professional Development	84.394	FY10	2,507
Instructional Support	84.394	FY10	34,321
Iowa Demonstration Construction Grant	84.215	FY10	25,000
Title III - English Language Acquisition - States Grant	84.365	FY10	1,530
Area Education Agency 267:			
ARRA - Special Education Grants to States, Recovery Act	84.391	FY10	118,523
Special Education - Grants to States (IDEA Part B)	84.027	FY10	<u>54,182</u>
Total			<u>\$ 1,158,384</u>

Basis of Presentation - The Schedule of Expenditures of Federal Awards includes the federal grant activity of Iowa Falls Community School District and is presented on the accrual or modified accrual basis of accounting. The information on this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

See accompanying independent auditor's report.

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

Services:

- Individual, Partnership and Corporate Tax Preparation
- Year Round Tax Planning
- Electronic Filing
- Payroll & Sales Tax Preparation
- I.R.S. Representation
- Monthly/Quarterly Write-Up
- Data Processing Services
- Payroll Preparation
- Computerized Financial Statements
- Bank Loan Assistance

Plus:

- Over 30 years of Expertise and Experience
- Evenings & Saturdays Available by Appointment
- Extended Hours During Tax Season

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance
with Government Auditing Standards

To the Board of Education of the
Iowa Falls Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Iowa Falls Community School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued our report thereon dated March 10, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Iowa Falls Community School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control over financial reporting we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the District's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings and Questioned Costs as items II-A-10 and II-B-10 to be material weaknesses.

A significant deficiency is a deficiency or combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified no items which we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Iowa Falls Community School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part IV of the accompanying Schedule of Findings and Questioned Costs.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2010 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Iowa Falls Community School District's responses to findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Iowa Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Falls Community School District and other parties to whom Iowa Falls Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of Iowa Falls Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



BRUCE D. FRINK
Certified Public Accountant

March 10, 2011

BRUCE D. FRINK

Certified Public Accountant

Member:

- American Institute of Certified Public Accountants
- Iowa Society of Certified Public Accountants

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- Individual, Partnership and Corporate Tax Preparation
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Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Education of
Iowa Falls Community School District:

Compliance

We have audited the compliance of Iowa Falls Community School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2010. Iowa Falls Community School District's major federal programs are identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to each of its major federal programs is the responsibility of Iowa Falls Community School District's management. Our responsibility is to express an opinion on Iowa Falls Community School District's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Iowa Falls Community School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Iowa Falls Community School District's compliance with those requirements.

In our opinion Iowa Falls Community School District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

Internal Control over Compliance

The management of Iowa Falls Community School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Iowa Falls Community School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Iowa Falls Community School District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a material weakness.

A deficiency in the District's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-A-10 to be a material weakness.

Iowa Falls Community School District's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the District's responses, we did not audit Iowa Falls Community School District's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Iowa Falls Community School District and other parties to whom Iowa Falls Community School District may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Bruce D. Frink

BRUCE D. FRINK
Certified Public Accountant

March 10, 2011

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part I: Summary of the Independent Auditor's Results:

- (a) Unqualified opinions were issued on the financial statements.
- (b) Material weaknesses in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance which is material to the financial statements.
- (d) A material weakness in internal control over major programs was disclosed by the audit of the financial statements.
- (e) An unqualified opinion was issued on compliance with requirements applicable to each major program.
- (f) The audit disclosed no audit findings which are required to be reported in accordance with Office of Management and Budget Circular A-133, Section .510(a).
- (g) Major programs were as follows:
 - CFDA Number 84.394 - ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act
 - Clustered programs:
 - CFDA Number 84.010: Title I Grants to Local Educational Agencies
 - CFDA Number 84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act
- (h) The dollar threshold used to distinguish between Type A and Type B programs was \$300,000.
- (i) Iowa Falls Community School District did not qualify as a low-risk auditee.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part II: Findings Related to the Financial Statements:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

INTERNAL CONTROL DEFICIENCIES:

II-A-10 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

II-B-10 Auditor Drafting of the Financial Statements and Related Footnote Disclosures

Comment - As in prior years, we were requested to draft the audited financial statements and related footnote disclosures as part of our regular audit services. SAS 115, an auditing standard from the American Institute of Certified Public Accountants, requires auditors to communicate this situation as an internal control deficiency. Ultimately, it is management's responsibility to provide for the preparation of the District's statements and footnotes, and the responsibility of the auditor to determine the fairness of the presentation of those statements. From a practical standpoint we do both for you at the same time in connection with our audit. This is not unusual for us to do this with organizations of your size. However, based on this auditing standard, it is our responsibility to inform you that this deficiency could result in a misstatement to the financial statements that could have been prevented or detected by the District's management. As in prior years, we have instructed management to review a draft of the auditor prepared financial statements in detail for their accuracy, we have answered any questions they might have, and encouraged research of any accounting guidance in connection with the adequacy and appropriateness of classification and disclosure in your financial statements. We are satisfied that the appropriate steps have been taken to provide you with the completed financial statements.

Recommendation - It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.

Response - We feel our review of the draft financials is adequate for us to accept this risk.

Conclusion - Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year ended June 30, 2010

Part III: Findings and Questioned Costs For Federal Awards:

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

SIGNIFICANT DEFICIENCY:

CFDA Number 84.394: ARRA - State Fiscal Stabilization Fund (SFSF) - Education State Grants, Recovery Act

Federal Award Year: 2010

U.S. Department of Education

Passed through Iowa Department of Education

CFDA Number 84.010: Title I Grants to Local Educational Agencies

84.389: ARRA - Title I Grants to Local Educational Agencies, Recovery Act

Federal Award Year: 2010

US Department of Education

Passed through Iowa Department of Education

III-A-10 Segregation of Duties - One important aspect of the internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Although the District does a fine job of dividing incompatible duties among existing personnel, the District Secretary still has the ability to override the system without the knowledge of any other personnel.

Recommendation - We recommend that the District continue to segregate incompatible duties as much as possible, reviewing them annually to achieve the maximum segregation possible within the existing personnel. We realize that the District Secretary has large number of required duties under the Code of Iowa which makes the situation difficult. We also realize that the District has a limited budget within which to hire additional personnel.

Response - We will continue to review and implement new procedures, when possible, to achieve the maximum segregation with existing personnel.

Conclusion - Response accepted.

Part IV: Other Findings Related to Required Statutory Reporting:

IV-A-10 Certified Budget - Expenditures for the year ended June 30, 2010, did not exceed the certified budget amounts in any of the four functions.

IV-B-10 Questionable Expenditures - No expenditures we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

IV-C-10 Travel Expense - No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

IV-D-10 Business Transactions - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
T. J. Norman Board President	Basketball announcer	\$300

In accordance with Chapter 279.7A of the Code of Iowa these transactions do not appear to represent conflicts of interest since they total less than \$2,500 for the fiscal year.

Recommendation - The District should review these expenditures to ensure legal compliance.

Response - We will review these on an annual basis and consult with our attorney when needed.

Conclusion - Response accepted.

IV-E-10 Bond Coverage - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure that the coverage is adequate for current operations.

IV-F-10 Board Minutes - No transactions requiring Board approval which had not been approved by the Board were noted.

IV-G-10 Supplementary Weighting - No variances regarding the supplementary weighting certified to the Iowa Department of Education were noted.

IV-H-10 Certified Enrollment - The number of basic resident students reported to the Iowa Department of Education on line 7 of the Certified Enrollment Certification Form of October 2009 was overstated. The District's certified enrollment count included 1 additional student on line 1. This resulted in overstating the total actual enrollment at line 7 by 1 student.

Recommendation - The District should contact the Iowa Department of Education and the Department of Management to resolve this matter.

Response - We will contact Iowa Department of Education and the Department of Management.

Conclusion - Response accepted.

IOWA FALLS COMMUNITY SCHOOL DISTRICT

Schedule of Findings and Questioned Costs

Year ended June 30, 2010

Part IV: Other Findings Related to Required Statutory Reporting:
(continued):

- IV-I-10 Deposit and Investments - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- IV-J-10 Certified Annual Report - The Certified Annual Report was certified timely to the Iowa Department of Education.
- IV-K-10 Categorical Funding - No instances were noted of categorical funding being used to supplant rather than supplement other funds.
- IV-L-10 Statewide Sales, Services and Use Tax - No instances of non-compliance with the use of the statewide sales, services and use tax revenue provisions of Chapter 423F.3 of the Code of Iowa were noted.

Pursuant to Chapter 423F.5 of the Code of Iowa, the annual audit is required to include certain reporting elements related to the statewide sales, services and use tax revenue. For the year ended June 30, 2010, the District's financial activity and other required information for the statewide sales, services and use tax revenue are as follows:

Beginning balance	\$	-
Statewide sales, services and use tax revenue		711,449
Expenditures/transfers out:		
School infrastructure:		
Equipment	\$ 194,834	
Debt service for school infrastructure:		
General obligation debt	189,675	
Revenue debt	<u>287,330</u>	<u>671,839</u>
Ending balance		\$ <u>39,610</u>

The statewide sales, services and use tax revenue received during the year ended June 30, 2010 is equivalent to a reduction in the following levies:

	<u>Per \$1,000 Of Taxable Valuation</u>	<u>Property Tax Dollars</u>
Debt service levy	\$69,154	\$189,675

- IV-M-10 Deficit Balance - Several student activity accounts had deficit balances at June 30, 2010. The Day Care Fund had a deficit balance of \$4,031 at June 30, 2010.

Recommendation - The District should continue to investigate alternatives to eliminate these deficits in order to return these accounts to a sound financial condition.

Response - The District made great strides this year to eliminate the deficit in the Day Care Fund. We hope to have a positive balance at June 30, 2011. Activity account deficits can be zeroed out, however, the District wants each activity to know its true balance in order to encourage fundraising efforts.

Conclusion - Response accepted.